LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6083 | **NOTE PREPARED:** Nov 24, 2012
BILL NUMBER: HB 1057 | **BILL AMENDED:**

SUBJECT: Prosecuting Attorneys Retirement Fund.

FIRST AUTHOR: Rep. McMillin | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** | **IMPACT:** State
DEDICATED
FEDERAL

Summary of Legislation: The bill changes various features of the Prosecuting Attorneys Retirement Fund (PARF) to incorporate the same or similar features found in the 1985 Judges' Retirement System. Specifically, the bill makes the following changes:

(1) *Change of Member Contribution*: The bill provides that active PARF members will be required to contribute 6% of pay to the Fund for only the first 22 years of service. Currently, they must contribute 6% of pay for all years of service.

(2) *Change in Disability Benefits:* The bill changes the qualification for disability benefits from requiring qualification for Social Security Disability payments to a disability proved to the satisfaction of the Board of Trustees. The bill also changes the service requirement for receiving disability benefits from 5 years to 0 years.

(3) *Pickup Provision:* The bill allows members to contribute 6% of pay to the Fund before income taxes as a "pickup" contribution according to 414(h) of the Internal Revenue Code.

(4) *Change in Death Benefit Calculation:* The bill increases the minimum annual death benefit payable to a beneficiary from $7,000 to $12,000.

(5) *Change in Beneficiary Requirements:* The bill makes changes in beneficiary/survivor language. Members may designate surviving dependent children to receive payments upon their death with different benefits being provided to surviving spouses and children. Currently, only surviving spouses may receive benefits upon the death of a member.

(The introduced version of this bill was prepared by the Pension Management Oversight Commission.)

Effective Date: July 1, 2013.

Explanation of State Expenditures: Expenditures will increase minimally with added retirement and disability benefits for members (prosecuting attorneys, chief deputy prosecuting attorneys, and the executive director or the assistant executive director of the Indiana Prosecuting Attorneys Council (IPAC)). The total fiscal cost (which is also the total increase in the unfunded actuarial accrued liability for the fund) is approximately $10,000, amortized over 30 years. The provisions contained in the bill should have a minimal negative impact on the funding ratio of PARF.

PARF is financed through a combination of employee contributions from prosecuting attorneys and chief deputy prosecuting attorneys and state General Fund appropriations. Any deficits that are created by the added expenditures from these new benefits and shortfalls in fee revenue would presumably be paid through new state General Fund appropriations.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Public Retirement System; Indiana Prosecuting Attorneys Council.

Local Agencies Affected:

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Definitions: *Unfunded Actuarial Liability* -sometimes called the unfunded liability, of a retirement system at any time is the excess of its actuarial liability at that time over the value of its cash and investments.

Funding Ratio - a ratio of a pension or annuity's assets to its liabilities.

Pickup Provision - a provision of government defined benefit plans where an employee may defer some income tax by electing to place it in a trust account for retirement. As a result, the amount deferred is not subject to income tax at the time it is placed in the trust. However, the deferred amounts are subject to Social Security and Medicare (FICA) tax.